



Sustainability standards

# Climate and environment protection

November 2022





## Our approach

We support climate and environment protection in a number of ways:

- we finance renewable energy sources (RES) and other “green” investments,
- we observe credit policies that forbid us to finance certain operations, e.g. those related to fossil fuels, or restrict their financing,
- we make efforts to decarbonise our business, including our credit portfolio,
- we introduce banking products and services that support climate and environment protection, including eco-loans. By doing so we encourage individual and business clients to choose environmentally friendly solutions.

In our strategy for 2021-2025 we pledged to earmark PLN 10 billion for the **financing of green investments**. This includes PLN 5 billion of mBank’s own funds and PLN 5 billion raised from other sources, such as bank syndicates or our clients’ bonds issues. The industries supported by us this way include, among others, RES, electromobility, recycling and waste management.

At the same time, we **reduce greenhouse gas emissions** generated by our business. We pledged to reach net climate neutrality in all three scopes by 2050. Currently we are working on our decarbonisation pathway for the next 5-15 years. It will be designed based on scientific evidence on climate change so as to realistically support the goals of the Paris Agreement. This will be verified by the Science Based Targets initiative (SBTi).

## Our policies and procedures

### Credit policy for industries relevant to EU climate policy

In 2019, we adopted a policy on financing entities in the mining, power and heat, transport and fuel industry as well as other energy-intensive industries. We take a comprehensive approach to our corporate clients' activities which have a significant impact on greenhouse gas emissions. We update our approach annually.

In accordance with this policy, we do not finance, among others, investment projects to increase capacity in coal or lignite mining and power generation based on these fuels. Exclusions provided for in this policy and in our other policies are described in detail below, in the section [“Exclusion criteria in mBank policies on fossil fuels”](#).

In turn, mBank's preferred investment projects include the financing of:

- renewable energy sources (RES),
- projects significantly reducing energy losses in the energy and heating sector (targeted financing only),
- transport projects which aim to reduce greenhouse gas emissions, in particular from public transport,
- construction of electric vehicle charging stations,

- projects which substantially reduce CO<sub>2</sub> emissions or air pollutants.

The financing of the following requires special justification and approval by the highest-ranking credit committee:

- entities operating coal mines or trading in coal and suppliers of services and products for the mining industry,
- projects to modernise boilers and power units based on coal technology, significantly reducing CO<sub>2</sub> and pollutant emissions.

### Policy on handling sensitive industries and activities

The mBank Reputation Risk Sensitive Industries Handling Policy defines the industries and activities that we do not handle as well as those to which special rules apply. Under this policy, we do not establish relationships, among others, with entities which exploit valuable natural areas under protection (including the Arctic) or are otherwise engaged in gross violation of environmental regulations. Companies from the mining, power and construction industry, including ones that mine coal or lignite, or extract crude oil and natural gas, undergo thorough scrutiny.

#### Exclusion criteria in mBank policies on fossil fuels:

<b>Coal mining</b>	We do not finance new coal and lignite mines or projects to expand the production capacity of existing mines.
<b>Power generation and heating</b>	<p>We do not finance:</p> <ul style="list-style-type: none"> <li>■ construction of new power units and boilers fired by coal or lignite (this also applies to suppliers of components, services and technologies for such construction),</li> <li>■ projects aimed at modernising coal/lignite-fired boilers and power units which do not substantially reduce CO<sub>2</sub> and air pollutant emissions,</li> <li>■ investments related to the construction and development of nuclear power plants,</li> <li>■ operators who manufacture or trade in radioactive materials (except medical and quality control equipment),</li> <li>■ energy companies which have coal/lignite-fired power units and entities aiming to develop coal/lignite-fired power generation, if the purpose of the financing is not clearly defined.</li> </ul> <p>New clients generating more than 50% electricity from coal or lignite can only receive funding for RES projects.</p>
<b>Oil and gas</b>	We do not finance:

	<ul style="list-style-type: none"><li>■ companies whose predominant activities are focused on shale gas exploration and production,</li><li>■ entities which carry out activities aimed at the economic exploitation of environmentally valuable areas or areas under protection (including the Arctic),</li><li>■ entities whose activities grossly infringe environmental regulations.</li></ul>
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### **Policy for financing renewable energy sources (RES)**

We adopted the first version of the policy on financing of large investments such as wind and photovoltaic farms in 2018. In 2021, we opened up the possibility of financing smaller RES projects with capacity:

- up to 5 MW for photovoltaics; and
- up to 10 MW for wind farms.

Currently, the policy provides for a PLN 4 billion internal limit on RES installation investments.

### **Green bond framework**

We adopted a framework document which sets out the rules for issuing green bonds and covered bonds by mBank Group. We are committed to ensuring that the projects financed with them have a real positive impact on the environment. The principles set out:

- objectives which can be financed with proceeds raised from issues, including the specific parameters which must be met by financed "green" real estate, RES or transport projects,
- process for assessing and selecting projects which can be financed with proceeds from green securities,
- principles for managing the proceeds from issues of green securities,
- reporting on the allocation of proceeds from and the environmental impact of issued securities.

Our standards for issuing green bonds and covered bonds comply with the international Green Bond Principles. This has been confirmed by a second party opinion issued by Sustainalytics.

The full version of the mBank Group Green Bond Framework is available [here](#).